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SIPDIS

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DEPT FOR WHA/CEN (MACK), CA/VO/L/A (SETTJE),
DEPT FOR INL/C/CP (BECKER, BRANDOLINO, KOHN)

TREASURY FOR IA/WHA (LEVINE)

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [BH](#)
SUBJECT: GLENN GODFREY MADE ME DO IT!

Ref: A. Belize 708

[B](#). Belize 678

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[1](#)1. (U) Summary. On the first day of testimony at the resumed Development Finance Corporation (DFC) investigative hearings, former general manager Roberto Bautista said that changes in policy left the Corporation vulnerable to significant losses. Lending policies were "relaxed," and the DFC Board instructed staff to process all government housing projects. Bautista's testimony also implicated former DFC Chairman Glenn Godfrey, who is rumored to have reaped extensive benefits from this and other government entities but has, thus far, remained untouchable. End summary.

[1](#)2. (U) On October 24, the investigative hearing into the financial dealings of the Development Finance Corporation (DFC) resumed after a two-month hiatus. (As reported in reftels, the DFC is the Belizean equivalent of an agricultural bank, development bank, Freddy Mac, Sallie Mae, and Fannie Mae all rolled into one. For years, the DFC granted loans for small- and large-scale agricultural, educational, and housing development projects). For the first time, a member of the DFC's top management testified before the investigative committee and implicated Glenn Godfrey - former DFC chairman, attorney, local businessman, and ruling People's United Party (PUP) crony.

[1](#)3. (U) Roberto Bautista, previous DFC general manager and current manager of credit administration for the Corporation, testified that in 1999 the DFC received BZ\$86 million and, while a portion of those funds were to be delivered to the Social Security Board, the remainder was deposited into the Belize Central Bank, where it would earn 8.5 percent interest. (Note: US\$1 equals BZ\$2. End note). The funds were to be used for housing development so that the governing PUP could fulfill its campaign promise to construct 10,000 new homes in Belize.

[1](#)4. (U) At the same time, Bautista said, some of the DFC's strict lending guidelines - such as the one requiring borrowers to provide down payments for mortgage loans - were relaxed. The DFC Board also instructed staff to implement any government housing projects.

[1](#)5. (U) Despite the policy changes, the DFC continued to disburse funds to borrowers in a series of payments rather than in one lump sum. Bautista testified that DFC Chairman Glenn Godfrey made an exception to this rule and instructed him - by telephone and in writing - to disburse the BZ\$30 million loan to Novelo's Bus Line in one lump sum. Bautista said that Godfrey called him and suggested that, rather than letting the money "idle" at the Central Bank for

8.5 percent interest, the DFC should disburse the funds - borrowed at 13 percent - to Novelo's. Because Godfrey followed up this conversation with a signed authorization letter, Bautista disbursed the funds. Full disbursement was premature because all the collateral had not been secured. Also, Godfrey's law firm - which represented Novelo's - benefited to the tune of some BZ\$2 million for legal work in connection with the loan. The bus line is now in receivership and behind in its loan payments. According to Bautista, the current outstanding balance on the loan is BZ\$32 million.

¶6. (SBU) Comment. So far as Post knows, Bautista's testimony represents the first time a high-ranking official or political crony has been directly linked - with tangible documentation - to the DFC scandal. Poloff did not attend the hearings on October 24, and so is unable to confirm if Godfrey's signed authorization letter was produced as evidence. If it was, then it may be helpful in building a 212(f) case against Godfrey. End comment.

DIETER